



S H A R P E J A M E S
MAYOR
NEWARK, NEW JERSEY
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To: The Newark Municipal Council

RE: 2003 MANAGEMENT AND FINANCIAL PLAN

We are all familiar with the story. For the past few years, all of the news about government in the United States has had a common theme: Revenues are falling, the economy is in real trouble and the government has no choice but to cut services. After a few brief years of positive results, the Federal government again faces record deficits. In Trenton, the talk is of serious cutbacks in local aid or hikes in taxes. Across the river in New York, Mayor Bloomberg has announced sweeping layoffs of the very public servants that earned international acclaim on September 11th. In state after state, governors are confronted with not drops of red ink, but gallons.

It is therefore with great pride that I submit my administration's proposed budget for 2003, a budget that provides for no reductions in services to our citizens and which provides for a reduction in the true tax rate for the fifth straight year.

The tax rate story is worth telling. Since 1998, the true tax rate, which is the share that property taxes bear to the market value of real property, has dropped every year. The size of the drop is dramatic; from 3.76% in '98 to the proposed rate for this budget of 2.19%. To put this 42% reduction in perspective, during the most recent five years for which information is available, true tax rates in the rest of Essex County have declined only 1%. Across the state during that same period, they have decreased by 4%.

The comparison with other major urban centers in our state is equally significant. When compared to the true tax rates most recently adopted in other municipalities, the adoption of the budget that I am proposing today would yield a true tax rate for Newark that is the lowest of any large urban city in New Jersey. Lower than Atlantic City, Camden, Elizabeth, Jersey City, New Brunswick, Passaic, Paterson and Trenton. It is also lower than the true tax rates of every municipality with which Newark shares a border.

This achievement did not happen by accident. Rather it is the result of the long hours we have spent over many years working on the issues that ultimately produce a tax rate. We have worked to make our government more efficient in the delivery of services, we have

worked to find innovative sources of revenue and we have worked to create a market that sees Newark real estate as more valuable. And it is only by succeeding in all three areas that we have been able to produce the major improvement that I am happy to report today.

Let me talk a little more about the last of those areas. The ultimate goal of any government is to improve the lives of its citizens. One of the best ways that we can do that is by making sure that their most important possession, their home, maintains or improves its value. Increases in the value of real estate in a community are a true barometer of the opinion that the world has of your town.

Throughout my tenure as Mayor, I have kept the improvement in those opinions as one of my main goals. My administration has systematically attacked the issues that had negatively affected the popular view of our City. We have attacked crime; last year homicides were down by 29%, aggravated assaults by 19% and total violent crime by 17%. We have attacked grime; the yellow-jacketed "bumblebees" of our Downtown District crew have made our streets and sidewalks cleaner than ever. We have attacked our obsolescent schools; within 5 years our children will have the benefit of over \$1.6 billion in new classrooms, gymnasiums, computers and playing fields. We have attacked the quality of life issues; Newark now hosts movie theatres, skating rinks, minor league baseball in Bears' and Eagles' Stadium and major league performances in NJPAC, all complimenting the finest arts and cultural facilities in the state and the state's largest concentration of higher education facilities.

Our efforts have not gone unnoticed. Since 1998, property values in our City have risen by 96%. Those who have had the faith and wisdom to be part of our renaissance now are enjoying dividends on their investments.

The improvement is also evident in the attitudes of those who invest in larger projects. Claremont Properties new headquarters for the FBI will soon be joined on the waterfront by three new towers to be built by Matrix Development. Cogswell Realty has returned 744 Broad Street to its former glory and will soon be doing the same for the Hahne's and Griffith buildings. Exciting new developments are now moving forward to redevelop Mulberry Street, to expand the James Street district and to add to our revitalized riverfront.

The investment extends into our neighborhoods as well. More new housing has been built in Newark in the last 5 years than in the rest of Essex County combined. National chains are now coming to the City, typified by Home Depot's decision to build in the heart of the Central Ward. And we intend to use all of those new schools that I mentioned as catalysts for other investments in our neighborhoods.

I believe that all of these changes are ample testimony that the path that we have followed during my tenure has been a good one. The budget that I propose today has been developed with the idea of keeping us on that path. This is a plan that will keep our streets safe and clean, that will encourage continued investment and that will continue the

appreciation of the value of our real estate. It is a plan that will continue to improve the lives of those who live and work in Newark.

Let me turn now to the specifics of the budget.

Unlike many other governments, our plan for 2003 does not call for drastic cuts in City services. We propose to provide the necessary resources to maintain current operations, with productivity to be improved through enhanced management tools and techniques.

Two key areas to which those productivity enhancements will be applied are financial control and performance management. We are already underway in the installation of new financial systems, which are designed to bring greater control and efficiency to the collection and management of City revenues. We expect these improvements to yield significant benefits in the form of improved collections of property and special taxes, as well as greater accountability for City personnel.

We will soon begin the implementation of an Internet based management system, which will allow City personnel and the general public to access City services over the Web. When fully implemented, this system will simplify everything from paying water and tax bills to applying for permits and licenses or registering your child for recreation programs. And as a by-product, City managers will have the ability to monitor the performance of their employees in real time. These improvements will mean greater access to City services at lower costs to our taxpayers.

In order to fund this strategy, we have worked to find creative sources of revenue. The most significant of these is the renegotiated lease that we entered into with the Port Authority of New York and New Jersey for Newark's airport and seaport. Under the terms of the revised lease, we are able to devote \$108,000,000 to our operating budget. The lease also provides the City with significant funding for major development. The lease will continue to provide substantial funding in coming years, with potential further enhancements to our revenue based on the terms of the Port Authority's negotiations with New York City.

A second major benefit has been provided through the refinancing of debt previously issued for the funding of long-term pension obligations. By taking advantage of the currently favorable interest rates, the City was able to save \$8.2 million, all of which has been devoted to this year's budget.

In more traditional revenue areas, we have begun an intensive process to maximize collection of those revenues already owed to the City. With the help of the Superior Court, and particularly Judge Glenn Grant, this effort has already yielded a significant improvement in the collection of Municipal Court fines, which increased approximately \$2 million. Similar programs in the areas of payroll, parking and hotel taxes, as well as greater scrutiny of tax abatement obligations, is expected to provide substantial benefits for future budgets.

It is important to note that we have achieved the success of this budget while coping with many of the same financial pressures that have brought other governments to their knees. Health benefits for municipal employees continue to soar, jumping about \$6.5 million, a 14.4% hike over a year ago, continuing a trend that has seen them climb more than 60% since 1998. Due to cuts in state support, Newark will pay \$5.5 million for emergency medical services this year, a cost that was under \$2 million dollars just two years ago. We have also absorbed extraordinary costs in providing additional police coverage required by the Homeland Security initiative and in cleaning up from the massive snowfalls during the Blizzard of 2003.

Our careful management of other areas has helped to overcome these hurdles, with departmental other expenses actually reduced compared to last year and salary costs held to a total increase of only 11.4% since 1998.

When viewed in the context of the general economic malaise in our country, and in the context of the massive budgetary problems evidenced by other governments in our region and nationwide, I believe that this plan is a major accomplishment. While others are grasping around desperately for solutions, I am gratified to present a plan that will continue the provision of quality services, that will continue to fuel the progress that we have made in the redevelopment of our City, at a tax rate that is the lowest among all major cities in the state.

I ask for the support of the Municipal Council in adopting this budget and joining me in support of that progress.

Sincerely,

Shayne James
Mayor

